

***Department of Budget and Management***  
***Office of Personnel Services and Benefits***  
**Fiscal Year 2007 Operating Budget**

**Senate Budget & Taxation Committee – February 16, 2006**  
**The Honorable Ulysses Currie, Chair**

**House Appropriations Committee – February 17, 2006**  
**The Honorable Norman H. Conway, Chair**

***FY 2006 ACCOMPLISHMENTS***

- Provided a Medicare Part D Newsletter to all State retirees to compare the benefits offered under the State prescription plan to the benefits under Medicare Part D.
- Provided all State prescription plan participants with a notice of creditable coverage for purposes of Medicare Part D.
- Issued a Request for Proposals for a Pharmacy Benefit Provider to manage the State's prescription drug benefits with an anticipated award in late March 2006.
- Obtained the actuarial valuation of the future retiree health insurance liability.
- Conducted a successful automated personnel processing system pilot with seven agencies with statewide implementation anticipated by the end of the fiscal year.
- Developed special employment programs to foster interest in careers with the State of Maryland (e.g., High School Work Study and Mentoring Program, Governor's QUEST Internship Program for Persons With Disabilities and Work Experience Internship Program for TCA Recipients).

***PLANS FOR FY 2007***

- Implement a new web-based applicant tracking and test management system, which will allow applicants to create applicant profile accounts, apply for multiple job listings and submit on-line application supplements.
- Evaluate possible statewide expansion of the Managed Return-to-Work programs currently located at the Department of Public Safety and the Department of Health and Mental Hygiene.
- Adopt new employee performance evaluation forms to enhance timely completion rates for the Performance Evaluation Process.

## RESPONSE TO DLS RECOMMENDATIONS

### Summary of DBM Positions

DLS Recommendations	Amount	DBM Position
1. Add "Rule of 50" section.		Neutral
2. Add section on reporting requirement for regular and contractual positions.		Neutral
3. Add section requiring reporting on Executive Pay Plan positions.		Neutral
4. Add section allowing continuation of employees in abolished position in another State position.		Neutral
5. Add section providing for a reduction to funds budgeted for the State Employees and Retirees Health and Welfare Benefits Fund.		Oppose
6. Add section providing for a position cap.		Oppose
7. Add section reducing funds for workers' compensation assessments.		Oppose
8. Add language restricting \$150,000 in general funds until a report on State health insurance is provided.		Oppose
9. Add language making enhanced law enforcement death benefit contingent on enactment of legislation.		Neutral
10. Delete funding for an annual salary review adjustment for administrative law judges.	\$371,000	Oppose
11. Delete funding for a deficiency for correctional officer enhancements and delay implementation until July 1, 2006.	\$15,500,000	Oppose

## ***DEPARTMENT OF BUDGET & MANAGEMENT RESPONSES***

***DLS Recommendation #1:*** Include language limiting the number of positions that may be added after the beginning of the fiscal year to 50 and provides for exceptions to the limit.

***DBM Response:*** Neutral. The Department notes that the budget of the Department of Public Safety and Correctional Services includes language that permits the addition of 75 positions to that Department in the event certain other positions are filled. These positions should not be subject to the Rule of 50.

***DLS Recommendation #2:*** Add language requiring DBM to prepare a report for the budget committees upon creation of regular full-time equivalent positions through BPW action and upon transfer or abolition of positions.

***DBM Response:*** Neutral.

***DLS Recommendation #3:*** Add language requiring quarterly reports of all Executive Pay plan positions.

***DBM Response:*** Neutral.

***DLS Recommendation #4:*** Add language preventing employees from being moved into positions abolished in the budget. Language also allows incumbents in positions abolished to continue in another State position.

***DBM Response:*** Neutral.

***DLS Recommendation #5:*** Add language providing for a reduction of \$65.1 million in funding to the State Employee and Retiree Health and Welfare Benefits Program resulting from an overestimate of health care expenditures.

***DBM Response:*** Oppose. The Department believes that the allowance may be greater than necessary but disagrees with the amount of the proposed reduction. Health care costs are inherently difficult to predict. At this time, it is unclear whether the positive trends that are currently reflected in usage data will continue. The Department believes that the proposed reduction is too large given the uncertainty.

***DLS Recommendation #6:*** Add section providing for a position cap. Regular employees may not exceed 52,775 FTEs and contractual employees may not exceed 2,797 FTEs; requiring the Governor to submit to the Board of Public Works, not later than June 15, 2006, a schedule for aligning position authorizations for agencies in the Executive Branch; restricting the creation and/or increase in the number of executive service, management service and commission plan positions during the fiscal year; requiring that the number of exempt or non-State funded positions added in fiscal 2006 through the BPW shall not count under the established limit; and requiring DBM to provide the budget committees with a list of abolished positions on or before July 1, 2006.

***DBM Response:*** Oppose. The position cap applies only to the Executive Branch. The General Assembly and the Judiciary, the other two branches of government, are not subject to these

limits. There appears to be no valid reason for applying a cap to positions in only one branch of government.

The position cap has remained steady for the past 3 years despite the enactment of significant legislation over the past 3 years. The Governor has worked not only to restrict the growth in the number of positions but has actually reduced the number of State positions by 7% since January 2003. Nevertheless, the position cap is now an impediment to effective delivery of services to the citizens of Maryland and to the implementation of new programs.

Another aspect of the position cap is the restriction on the creation of new executive, management service or commission plan positions or the reclassification of positions into one of those services. This restriction too applies only to the Executive Branch. The General Assembly and the Department of Legislative Services are not similarly restricted.

***DLS Recommendation #7:*** Add section reducing funds for workers' compensation assessments by \$520,879 in general funds, \$233,820 in special funds, and \$45,301 in federal funds.

***DBM Response:*** Oppose. The Department believes that reducing funding for SERMA would be premature. While workers compensation claims have not yet been reduced, the SERMA initiative did not begin until FY 2004. Thus, the analysis is based on less than 2 years experience. The Department believes that these risk management services are important and will yield results if sufficient time is permitted.

***DLS Recommendation #8:*** Add language restricting \$150,000 in general funds until a report on State health insurance is provided.

***DBM Response:*** Oppose. Since the Department has provided all information that DLS has requested relating to the Health Benefits Program, we are surprised that DLS now wants to restrict \$150,000 in general funds until the specified information is received. This appears to be punitive without justification.

***DLS Recommendation #9:*** Add language enhancing the law enforcement death benefit from \$50,000 to \$125,000 contingent on enactment of legislation.

***DBM Response:*** Neutral.

***DLS Recommendation #10:*** Delete funding for a one-grade annual salary review adjustment for administrative law judges.

***DBM Response:*** Oppose. Despite the relatively low vacancy rate, five Administrative Law Judges resigned and two retired in FY 05. These departures result in a 9.1% resignation rate and 12.7% overall turnover rate in these positions.

***DLS Recommendation #11:*** Delete funding for a deficiency for correctional officer enhancements and delay implementation until July 1, 2006.

***DBM Response:*** Oppose. Immediate implementation of this compensation package is necessary to reduce resignation rates and improve recruitment efforts. The Department of Public Safety and Correctional Services (DPSCS) reports that as of the end of January 2006 they have over 450 vacancies at the Correctional Officer I and II levels. Both the Department and DPSCS

believe these increases are vital to ensuring adequate staffing commensurate with the safe operation of the State correctional facilities.

## ***ISSUES/UPDATES***

### ***I. Future ASR Adjustments and a Review of How Classifications are Chosen for Salary Enhancements***

***DLS Recommendation:*** OPSB should discuss in detail its plan for future ASR adjustments, including a discussion of how classifications are chosen for salary enhancements.

***DBM Response:*** Classifications are chosen for salary enhancements based on recruitment and retention difficulties as well as comparisons to similar positions in other governmental organizations or the private sector. Additionally, some ASRs result from the collective bargaining process. At this time, it is impossible to identify future ASR adjustments because these are examined during the budget process and are subject to availability of funds.

### ***II. Performance Planning and Evaluation Program (PEP)***

***DLS Recommendation:*** DBM should explain the lack of significant improvement in the statewide retention rate and the continuing decline in the proportion of employees evaluated using PEP, and describe plans to effect improvement in these two measures. DLS also recommends that OPSB comment on the impacts its shrinking staff complement has on its operations.

***DBM Response:*** The Department is keenly aware of the retention issue. Given the robust Maryland economy and the low unemployment rate, it is not surprising that there has not been a substantial improvement in the retention rate. The Department believes that there are many reasons that employees leave State employment. Salaries are certainly an issue but there are other factors, including the nature of the work, the location, the structure of the organization, etc. The Department continues to explore mechanisms to improve retention.

The completion rates for the PEPs are not satisfactory. The Department believes that one of the factors affecting the completion rate is the form currently used in the PEP process. The forms are viewed by managers as a significant impediment to completion of the process. To address this issue, the Department has designed a simpler form that is currently in use at several agencies on a test basis. Feedback on the new forms has been positive. The Department intends to explore expansion to other agencies.

Of the 14 current OPSB vacancies, seven are in the Employee Benefits Division. Recruitments for these positions are on hold pending the selection of a new Benefits Director. Of the remaining seven vacancies, only one has limited duties associated with agency performance evaluations. This position has only been vacant since November 2005 and the Department is actively recruiting to fill it. Thus, the Department does not believe that the vacancies have adversely affected either the retention rate or the PEP completion rate.